Community and Family Resources and The Richmond Center

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

CONTENTS

BOARD OF DIRECTORS

NAME	POSITION
Board Members	
Jim Gill	President
Al Treloar	Member
Jerry Haverly	Member
Dean Hoag	Member
Louis Stauter	Member
Clark Fletcher	Member
Doug Bailey	Member
Harvey Terpstra	Member
Carl Bergstrom	Member
Stan Watne	Member
Pat Tate	Member
Lauris Olson	Member
Organization Officials	
Michelle DeLaRiva	Executive Director
Pam Barkley	Controller

SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community and Family Resources
and The Richmond Center
Fort Dodge, Iowa

We have audited the accompanying combined financial statements of Community and Family Resources and The Richmond Center, which comprise the combined Statement of Financial Position, as of June 30, 2013, and the related combined Statements of Activities, Functional Expenses and Cash Flows for the year then ended and the related Notes to Combined Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with accounting standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the combined financial position of Community and Family Resources and The Richmond Center as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information including the Schedule of Expenditures of Federal Awards, required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2013 on our consideration of Community and Family Resources and The Richmond Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Community and Family Resources and The Richmond Center's internal control over financial reporting and compliance.

Schnurr & Company, LLP

Fort Dodge, Iowa
December 3, 2013

COMMUNITY AND FAMILY RESOURCES AND THE RICHMOND CENTER **Exhibit A**

COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2013

ASSETS		
Current Assets:		
Cash	$	286,445
Certificates of deposit		4,848
Accounts receivable, net		1,009,541
Prepaid expenses		11,229
Total current assets		1,312,063
Property and Equipment:		
Land		255,737
Buildings		1,438,602
Equipment		1,460,991
Vehicles		186,474
		3,341,804
Less accumulated depreciation		2,009,343
		1,332,461
Total assets	$	2,644,524
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current maturities of long-term debt	$	24,288
Accounts payable		59,313
Accrued salaries		93,176
Accrued paid time off		112,461
Accrued payroll taxes and benefits		24,760
Accrued expenses		4,834
Total current liabilities		318,832
Long-term debt, net		598,485
Net Assets:		
Unrestricted		1,711,418
Temporarily restricted		15,789
Total net assets		1,727,207
Total liabilities and net assets	$	2,644,524

See Notes to Combined Financial Statements.

COMMUNITY AND FAMILY RESOURCES AND THE RICHMOND CENTER **Exhibit B**

COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Grants	$ 2,417,691	$ -	$ 2,417,691
Medicaid	769,744	-	769,744
County contributions	89,443	-	89,443
City contributions	9,398	-	9,398
Other contributions	8,763	-	8,763
Client private pay	321,930	-	321,930
Client third-party pay	1,354,890	-	1,354,890
OWI	77,996	-	77,996
Evaluations	32,141	-	32,141
Miscellaneous	45,381	-	45,381
Interest	92	8	100
Contributed facilities and services	1,000	-	1,000
Total revenue and support	5,128,469	8	5,128,477
Net Assets Released from Restrictions	6,023	(6,023)	-
Expenditures:			
General and administrative	1,090,430	-	1,090,430
Residential	1,154,793	-	1,154,793
Special programs	538,158	-	538,158
Outpatient	1,255,691	-	1,255,691
Outreach	12,018	-	12,018
Psychiatry	327,762	-	327,762
Therapy	418,567	-	418,567
Prevention	226,151	-	226,151
Total expenditures	5,023,570	-	5,023,570
Increase (decrease) in net assets	110,922	(6,015)	104,907
Net assets at beginning of year	1,600,496	21,804	1,622,300
Net assets at end of year	$ 1,711,418	$ 15,789	$ 1,727,207

See Notes to Combined Financial Statements.

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

		Residential		Special Programs	
	General and Administrative	Adult Residential and Detox	Recovery and Transition House	STARS Program (Adolescent Treatment)	Gambling (Treatment, Education and Housing)
Operating Expenses:					
Salary	$ 419,817	$ 523,442	$ 29,904	$ 343,265	$ 25,376
FICA/Medicare	40,267	47,953	2,716	6,861	537
Workers compensation	9,181	10,971	624	1,597	128
Unemployment	8,909	10,741	616	1,543	119
Health insurance	27,796	32,915	1,873	3,671	341
IPERS	43,219	51,459	2,917	7,297	580
Dues, fees and memberships	-	2,878	162	1,868	-
Subscriptions/publications	-	430	402	41	-
Food/groceries	-	115,128	13,721	19,172	-
Medical supplies	332	3,866	15	147	-
Program supplies	529	11,354	21,758	4,868	276
Office supplies	-	9,315	269	2,176	124
Operating supplies/non food	2,772	20,552	3,349	3,661	158
Recreational	-	-	-	306	-
Postage	3,160	1,068	61	676	22
Meetings	-	271	15	-	-
Advertising/promotional items	-	6,229	359	-	-
Depreciation	72,722	13,208	4,441	-	-
Computer hardware, software, maintenance	-	11,014	641	6,496	-
Building repairs/maintenance	9	17,405	4,884	7,977	72
Office repairs/maintenance	-	1,551	17	1,380	23
Office/space rental	-	-	-	16,068	193
Utilities	1,122	28,296	9,326	11,934	190
Telephone	342	39,715	20,680	28,501	760
Insurance	31,971	-	-	1,291	-
Property tax	1,706	-	1,410	-	-
Contracted services	2,606	49,231	2,848	21,893	-
Recruiting expenses	4,423	2,269	-	1,107	-
In-state travel	-	2,543	135	1,659	1,010
Out-of-state travel	808	-	-	-	-
Staff development training	2,143	2,345	130	949	1,250
Tuition reimbursement	-	2,920	-	80	-
Meals	1,281	32	-	353	390
Vehicle expense	-	7,351	1,550	4,444	1,235
Lodging and other travel costs	1,163	-	-	2,677	1,416
Board expense	2,206	-	-	-	-
Interest allocation	20,379	-	-	-	-
Miscellaneous expense	2,258	3,326	192	-	-
	$ 701,121	$ 1,029,778	$ 125,015	$ 503,958	$ 34,200

See Notes to Combined Financial Statements.

Community and Family Resources

Outpatient

Fort Dodge	Ames	Boone	Webster City	Rockwell City	Pocahontas	Humboldt	Clar
$ 274,596	$ 227,339	$ 41,332	$ 39,494	$ 7,487	$ 9,110	$ 8,879	$
22,844	18,960	3,764	3,933	697	840	821	
5,258	4,337	859	886	158	192	187	
5,206	4,262	823	864	156	188	184	
15,560	13,016	2,611	2,609	467	574	558	
24,570	20,341	4,044	4,244	749	903	882	
1,318	1,561	338	300	51	53	54	
277	227	5	299	1	1	1	
66	-	-	-	-	-	-	
25	-	-	-	-	-	45	
36,554	12,565	4,909	9,209	-	-	-	
4,101	3,932	728	456	12	117	14	
2,566	1,486	666	336	-	4	-	
-	-	-	-	-	-	-	
587	2,180	483	182	15	19	18	
125	122	23	27	4	5	5	
2,947	6,224	2,751	545	89	160	261	
446	7,648	-	-	-	-	-	
3,750	6,957	788	681	138	171	166	
4,155	7,053	538	2,118	-	-	220	
1,431	5,565	-	348	-	-	-	
41,400	-	3,413	4,486	1,832	1,815	3,585	
12,524	11,486	117	2,101	(90)	-	484	
22,967	43,925	10,802	7,664	6,206	9,196	9,354	
-	-	-	-	-	-	-	
9,236	-	-	-	-	-	-	
22,898	44,631	4,786	3,645	575	704	683	
869	994	172	-	-	-	-	
4,143	1,696	294	281	123	72	40	
-	-	-	-	-	-	40	
2,036	2,068	-	(13)	-	-	-	
-	-	-	-	-	-	-	
44	144	62	-	-	-	-	
982	1,366	195	228	35	43	42	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	20,297	-	-	-	-	-	
1,477	1,313	261	259	47	59	58	
$ 524,958	$ 471,695	$ 84,764	$ 85,182	$ 18,752	$ 24,226	$ 26,581	$

Exhibit

The Richmond Center

Clarion	Prevention	General and Administrative	Outreach	Psychiatry	Therapy	Prevention	Total
$ 7,731	$ 107,990	$ 224,534	$ 2,317	$ 126,086	$ 245,782	$ 7,138	$ 2,671,61
711	8,952	18,489	200	10,394	20,288	599	209,82
154	2,063	4,731	51	2,660	5,192	153	49,38
110	2,078	3,814	41	2,144	4,185	124	46,1
533	5,719	9,743	105	5,477	10,691	318	134,5
770	9,612	19,733	213	11,093	21,653	640	224,9
-	624	226	-	203	905	-	10,5
41	132	-	-	176	271	-	2,3
-	-	-	-	-	-	-	148,0
-	-	-	-	-	-	-	4,4
1,244	16,850	-	8	221	443	-	120,7
43	2,001	-	-	2,489	3,459	-	29,2
60	971	-	134	1,809	1,098	-	39,6
-	-	-	-	-	-	-	3
16	324	-	-	1,204	2,067	42	12,1
8	44	-	-	4	7	-	6
305	2,823	-	235	2,830	8,739	-	34,4
-	-	-	-	30,332	-	-	128,7
137	2,120	-	-	6,985	11,403	-	51,4
-	2,629	-	-	2,927	4,976	-	54,9
-	866	-	-	3,817	5,386	-	20,3
-	4,471	-	8,200	2,208	10,330	-	98,0
208	7,475	-	433	4,416	8,577	-	98,5
6,566	15,907	-	(137)	22,432	38,622	-	283,
-	-	26,436	-	-	-	-	59,
-	-	-	-	-	-	-	12,
676	12,765	73,261	38	83,617	9,414	300	334,
-	342	-	-	866	1,652	-	12,
105	1,329	-	-	348	863	-	14,
-	-	-	-	-	-	-	
(33)	865	328	-	650	412	-	13,
-	-	-	-	-	-	-	3,
-	516	-	-	53	54	-	2,
103	5,395	-	180	1,222	2,098	-	26
-	551	-	-	1,053	-	-	6
-	-	559	-	46	-	-	2
-	-	-	-	-	-	-	40
45	1,423	7,455	-	-	-	-	18
$ 19,533	$ 216,837	$ 389,309	$ 12,018	$ 327,762	$ 418,567	$ 9,314	$ 5,023

COMMUNITY AND FAMILY RESOURCES AND THE RICHMOND CENTER | **Exhibit D**

COMBINED STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

Cash Flows from Operating Activities		
Increase in net assets	$	104,907
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		128,797
Effect of changes in:		
Accounts receivable		60,084
Prepaid expenses		(4,825)
Accounts payable		(29,322)
Accrued salaries		(28,896)
Accrued paid time off		(41,817)
Accrued payroll taxes and benefits		(9,223)
Accrued expenses		(351)
Net cash provided by operating activities		179,354
Cash Flows from Investing Activities		
Purchase of certificates of deposit		(29)
Purchase of property and equipment		(11,116)
Net cash (used in) investing activities		(11,145)
Cash Flows from Financing Activities		
Principal payments on long-term borrowings		(56,056)
Net cash (used in) financing activities		(56,056)
Net increase in cash		112,153
Cash:		
Beginning		174,292
Ending	$	286,445
Supplemental Disclosure of Cash Flow Information:		
Cash payments for:		
Interest	$	40,676

See Notes to Combined Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Community and Family Resources is a nonprofit corporation that was established in 1968. The purpose of the Organization is to increase understanding, to alleviate the damage, and to reduce the incidence of alcoholism. The Organization operates treatment facilities in northwestern and central Iowa offering outpatient, residential, and detoxification services to persons experiencing problems in living due to alcoholism and other chemical dependencies. Community and Family Resources is funded by federal, state, county, and local governments as well as private payments from patients.

The Richmond Center is a non-profit corporation providing mental health services that include outpatient mental health psychiatric services for the residents of Story and Boone counties.

The financial statements combine Community and Family Resources and The Richmond Center, which share the same Board of Directors. In addition, The Richmond Center is financially dependent on Community and Family Resources.

Significant accounting policies:

A summary of the Organization's significant accounting policies is as follows:

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of combination: The accompanying combined financial statements include the accounts of Community and Family Resources and The Richmond Center (collectively the "Organization"). All material related party balances and transactions have been eliminated in combination.

Contributions and donor restricted funds: The Organization reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions not restricted by donors are recorded as revenue in the unrestricted fund.

Certificates of deposit: Certificates of deposit are carried at cost that approximates market value.

Accounts receivable: Accounts receivable, with the exception of private client pay, are recorded on the accrual basis of accounting. Private client pay is recognized as income in the period in which it is received due to the uncertainty of collection. The Organization uses the allowance method of recording bad debts. The allowance for bad debts is $451,246 at June 30, 2013.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant accounting policies (continued):

Property and equipment: Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is computed using the straight-line method based on the following useful lives:

	Years
Buildings	5-39
Equipment	5-20
Vehicles	5

Contributed facilities and services: A large number of volunteers have given significant amounts of their time to the Organization's programs; however, no amounts have been recognized in the financial statements for volunteer time since no objective basis is available to measure the value of such services.

Advertising costs: Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2013 was $34,497.

Income taxes: Both Organizations are non-profit corporations exempt from income taxes under § 501(c)(3) of the Internal Revenue Code.

Subsequent events: Subsequent events have been evaluated through December 3, 2013, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Notes Payable

Long-term debt consists of the following as of June 30, 2013:

6.38% note payable to First National Bank, due in monthly installments of $5,140 through October 2016. The note is secured by real estate and business assets.	$ 621,215
3.90% note payable to American Honda Finance Corporation, due in monthly installments of $522 through September, 2013. The note is secured by an automobile.	1,558
	622,773
Less: current maturities	24,288
	$ 598,485

Note 2. Notes Payable (Continued)

Aggregate maturities required on notes payable as of June 30, 2013, are due in future years as follows:

Year ending June 30,		
2014	$	24,288
2015		24,222
2016		25,812
2017		548,451
2018		-
	$	622,773

Note 3. Leases

The Organization leases office space for outpatient facilities in several cities in Central Iowa. The lease agreements are on a month-to-month basis and are cancelable should government funding no longer be available. The Organization does lease one facility under a noncancelable operating lease, which expires November, 2013.

The Organization leases office equipment under noncancelable operating lease agreements. The leases expire on various dates from March, 2016 to February, 2017. Total future minimum rental commitment by year as of June 30, 2013 follows:

Year ending June 30,		
2014	$	63,709
2015		58,459
2016		58,263
2017		6,955
2018		-
	$	187,386

Total rent expense for the year ended June 30, 2013 was $156,459.

Note 4. Support From Governmental Units

The Organization receives a substantial amount of its support from the federal government, the State of Iowa, and various local counties. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Note 5. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Note 6. Pension and Retirement Benefits

The Organization contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Organization is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The Organization's contribution to IPERS for the year ended June 30, 2013 was $224,919, equal to the required contributions for the year.

Note 7. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

Note 8. Restricted Net Assets and Assets Released from Restrictions

Temporarily restricted net assets of $15,789 were available for the special needs program for clients with financial needs. Temporarily restricted net assets consisted of cash at June 30, 2013. $6,023 of temporarily restricted net assets were released from restriction for year ended June 30, 2013 for the purpose of financial needs within the special needs program.

Note 9. Concentration of Credit Risk

The Organization maintains its cash accounts with banks located in Iowa. The total cash balance is insured by the FDIC up to $250,000 per bank. The Organization had a cash balance on deposit with one Iowa bank at June 30, 2013 that exceeded the balance insured by the FDIC in the amount of $82,476.

SUPPLEMENTARY INFORMATION

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Contract Number	Expenditures
Department of Health and Human Services:			
Iowa Department of Public Health:			
Comprehensive Substance Abuse Prevention	93.959	5883CP15	$ 95,447
Access to Recovery	93.275	5881AC25	124,465
Strategic Prevention Framework			
State Incentive Grant Service Fund	93.243	5883CP15	66,734
Jail-Based Substance Abuse Treatment Project	16.753	5883JTD03	22,608
Magellan Health Services:			
Substance Abuse Prevention and Treatment			
Block Grant	93.959		615,251
			$ 924,505

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Community and Family Resources and The Richmond Center and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.

See Accompanying Independent Auditor's Report.

**COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER**

**COMBINING SCHEDULE OF STATEMENT OF FINANCIAL POSITION
June 30, 2013**

	Community and Family Resources	The Richmond Center	Sub-total
ASSETS			
Current Assets:			
Cash	$ 275,291	$ 11,154	$ 286,445
Certificates of deposit	4,848	-	4,848
Accounts receivable, net	2,257,404	326,903	2,584,307
Prepaid expenses	10,445	784	11,229
Total current assets	2,547,988	338,841	2,886,829
Property and Equipment:			
Land	255,737	-	255,737
Buildings	1,270,270	168,332	1,438,602
Equipment	1,210,428	250,563	1,460,991
Vehicles	186,474	-	186,474
	2,922,909	418,895	3,341,804
Less accumulated depreciation	1,786,121	223,222	2,009,343
	1,136,788	195,673	1,332,461
Total assets	$ 3,684,776	$ 534,514	$ 4,219,290
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current maturities of long-term debt	$ 24,288	$ -	$ 24,288
Accounts payable	50,058	1,584,021	1,634,079
Accrued salaries	75,131	18,045	93,176
Accrued paid time off	99,667	12,794	112,461
Accrued payroll taxes and benefits	24,760	-	24,760
Accrued expenses	4,834	-	4,834
Total current liabilities	278,738	1,614,860	1,893,598
Long-term debt, net	598,485	-	598,485
Net Assets:			
Unrestricted	2,805,053	(1,093,635)	1,711,418
Temporarily restricted	2,500	13,289	15,789
Total net assets	2,807,553	(1,080,346)	1,727,207
Total liabilities and net assets	$ 3,684,776	$ 534,514	$ 4,219,290

See Notes to Combined Financial Statements.

Eliminations	Total
$ -	$ 286,445
-	4,848
(1,574,766)	1,009,541
-	11,229
(1,574,766)	1,312,063
-	255,737
-	1,438,602
-	1,460,991
-	186,474
-	3,341,804
-	2,009,343
-	1,332,461
$ (1,574,766)	$ 2,644,524
$ -	$ 24,288
(1,574,766)	59,313
-	93,176
-	112,461
-	24,760
-	4,834
(1,574,766)	318,832
-	598,485
-	1,711,418
-	15,789
-	1,727,207
$ (1,574,766)	$ 2,644,524

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

COMBINING SCHEDULE OF STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	Community and Family Resources	The Richmond Center	Sub-total
Revenue and Support:			
Grants	$ 2,409,747	$ 7,944	$ 2,417,691
Medicaid	529,975	239,769	769,744
County contributions	79,264	10,179	89,443
City contributions	9,398	-	9,398
Other contributions	7,332	1,431	8,763
Client private pay	257,122	64,808	321,930
Client third-party pay	1,260,267	94,623	1,354,890
OWI	77,996	-	77,996
Evaluations	32,141	-	32,141
Miscellaneous	3,646	41,735	45,381
Interest	84	16	100
Contributed facilities and services	1,000	-	1,000
Total revenue and support	4,667,972	460,505	5,128,477
Net Assets Released from Restrictions	-	-	-
Expenditures:			
General and administrative	701,121	389,309	1,090,430
Residential	1,154,793	-	1,154,793
Special programs	538,158	-	538,158
Outpatient	1,255,691	-	1,255,691
Outreach	-	12,018	12,018
Psychiatry	-	327,762	327,762
Therapy	-	418,567	418,567
Prevention	216,837	9,314	226,151
Total expenditures	3,866,600	1,156,970	5,023,570
Increase (decrease) in net assets	801,372	(696,465)	104,907
Net assets at beginning of year	2,006,181	(383,881)	1,622,300
Net assets at end of year	$ 2,807,553	$ (1,080,346)	$ 1,727,207

See Notes to Combined Financial Statements.

Schedule 3

Eliminations	Total
$ -	$ 2,417,691
-	769,744
-	89,443
-	9,398
-	8,763
-	321,930
-	1,354,890
-	77,996
-	32,141
-	45,381
-	100
-	1,000
-	5,128,477
-	-
-	1,090,430
-	1,154,793
-	538,158
-	1,255,691
-	12,018
-	327,762
-	418,567
-	226,151
-	5,023,570
-	104,907
-	1,622,300
$ -	$ 1,727,207

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

COMBINING SCHEDULE OF STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

	Community and Family Resources	The Richmond Center	Sub-total
Cash Flows from Operating Activities			
Increase (decrease) in net assets	$ 801,372	$ (696,465)	$ 104,907
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:			
Depreciation	98,465	30,332	128,797
Effect of changes in:			
Accounts receivable	(605,586)	219,704	(385,882)
Prepaid expenses	(7,031)	2,206	(4,825)
Accounts payable	(26,445)	443,089	416,644
Accrued salaries	2,685	(31,581)	(28,896)
Accrued paid time off	(25,375)	(16,442)	(41,817)
Accrued payroll taxes and benefits	(9,223)	-	(9,223)
Accrued expenses	(351)	-	(351)
Net cash provided by (used in) operating activities	228,511	(49,157)	179,354
Cash Flows from Investing Activities:			
Purchase of certificates of deposit	(29)	-	(29)
Purchase of property and equipment	(11,116)	-	(11,116)
Net cash (used in) investing activities	(11,145)	-	(11,145)
Cash Flows from Financing Activities			
Principal payments on long-term borrowings	(31,056)	(25,000)	(56,056)
Net cash (used in) financing activities	(31,056)	(25,000)	(56,056)
Net increase (decrease) in cash	186,310	(74,157)	112,153
Cash:			
Beginning	88,981	85,311	174,292
Ending	$ 275,291	$ 11,154	$ 286,445
Supplemental Disclosure of Cash Flow Information:			
Cash payments for:			
Interest	$ 40,676	$ -	$ 40,676

See Notes to Combined Financial Statements.

Schedule 4

Eliminations	Total
$ -	$ 104,907
-	128,797
445,966	60,084
-	(4,825)
(445,966)	(29,322)
-	(28,896)
-	(41,817)
-	(9,223)
-	(351)
-	179,354
-	(29)
-	(11,116)
-	(11,145)
-	(56,056)
-	(56,056)
-	112,153
-	174,292
$ -	$ 286,445
$ -	$ 40,676

SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Board of Directors
Community and Family Resources
and The Richmond Center
Fort Dodge, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Community and Family Resources and The Richmond Center (the "Organization"), as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 3, 2013. Our report expressed unmodified opinions on the financial statements that were prepared on the basis of U.S. generally accepted auditing principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Organization's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Organization's Responses to Findings

The Organization's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Organization during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
December 3, 2013

SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Community and Family Resources
and The Richmond Center
Fort Dodge, Iowa

Report on Compliance for Each Major Federal Program

We have audited Community and Family Resources' and The Richmond Center's (the "Organization") compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on Organization's major federal program for the year ended June 30, 2013. The Organization's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

The Organization's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schnurr & Company, LLP

Fort Dodge, Iowa
December 3, 2013

COMMUNITY AND FAMILY RESOURCES
AND THE RICHMOND CENTER

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results

a. An unqualified opinion was issued on the financial statements.

b. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.

c. The audit did not disclose any noncompliance that is material to the financial statements.

d. A material weakness in internal control over major programs was disclosed by the audit of financial statements.

e. An unqualified opinion was issued on compliance with requirements applicable to the major program.

f. The audit did not disclose any audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).

g. The major program was CFDA Number 93.959 – Substance Abuse Prevention and Treatment Block Grant.

h. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i. Community and Family Resources and The Richmond Center qualified as low-risk auditees.

Part II: Findings Related to the General Purpose Financial Statements:

II-A-13 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, and are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Organization's financial statements. One individual performs a significant amount of recordkeeping and also performs the reconciling functions for the office, including those related to its federal program.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Organization should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and officials.

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the planned hiring of a CFO and division of duties will spread the recordkeeping and reconciling among various employees.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were reported.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 93.959: Block Grants for Prevention and Treatment of Substance Abuse
Federal Award Year: 2012
U. S. Department of Health and Human Services
Pass-through the Iowa Department of Public Health

III-A-13 Segregation of Duties over Federal Revenues – The Organization did not properly segregate record-keeping and reconciling functions for revenues, including those related to its federal program. See item II-A-13.

Instances of Non-Compliance:

No matters were reported.

Part IV: Other Findings Related to Statutory Requirements and Other Matters:

No matters were reported.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Community and Family Resources and The Richmond Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
December 3, 2013